

**RISK FINANCE SUBCOMMITTEE  
MEETING MINUTES  
Wednesday, April 16, 2003**

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**MEMBERS PRESENT**

Carol Fleskes	Department of Ecology
Chris Freed	Department of Licensing
Bernie Friedman	Department of Social and Health Services
Kathy Gastreich	Department of Corrections
Chuck Greenough	State Board for Community and Technical Colleges
Bill Henselman	Department of Transportation
Carole Mathews	Department of Labor and Industries
Diane Perry	Washington State Patrol
Stewart Sawyer	Acordia Northwest
Jim Smego	Department of Natural Resources
Angela Terry	Willis of Seattle

**MEMBERS ABSENT**

Robin Campbell	Office of Financial Management
Linda Dunn	Office of the Attorney General
Paul Mueller	Western Washington University
Stephen Simmons	Department of Social and Health Services

**OFM STAFF PRESENT**

Nancy Heyen  
John Nicholson  
Betty Reed  
Gary Robinson

**CALL TO ORDER/INTRODUCTIONS/APPROVAL OF MINUTES**

Carole Mathews, Chair, called the meeting to order at 1:35 p.m. Meeting attendees introduced themselves. A motion was made and seconded to approve the February 6, 2003 meeting minutes. The motion passed.

**ALLOCATION FORMULA**

**Review Schedule:** The proposed schedule for developing changes to the allocation formula was discussed. Martin Lewis, actuary with Tillinghast, will attend the July 16, 2003 Risk Finance Subcommittee meeting to discuss options forwarded to him after today's meeting. The October meeting will then be used to evaluate the options presented by the actuary. Recommendations will be forwarded to the Risk Management Advisory Committee (RMAC) in December. Formula changes to be used during the 2005-07 biennial budget process will be reviewed by the actuary during January 2004. The changes will be incorporated into the next actuarial study which will develop the premiums for each agency. This data will be included in the 2005-07 OFM Budget Instructions.

**Criteria:** Carole Mathews asked that subcommittee members prioritize the self-insured liability fund allocation criteria (form attached). The results will be summarized by OFM and presented to RMAC at their next meeting for further discussion.

**Formula Options:** Stewart Sawyer provided an extensive overview of current issues affecting the allocation formula. At the present time, there are discrepancies among agencies, especially dedicated fund agencies, with what they pay in premiums and their claims paid. The current formula is designed to be reasonably stable in many agencies, rather than a pay-as-you-go basis. In more recent years, however, the formula has become less stable because several agencies have been affected by especially large lawsuits. DSHS and DOC are affected by these larger lawsuits; DOT's lawsuits remain large, but fairly consistent. These three large agencies (DSHS, DOC, and DOT) have approximately 40 percent of the FTEs, which accounts for about 80 percent of the loss. Based on the criteria established for the allocation formula, the subcommittee discussed ways to achieve increased equity and stability in agencies' premiums.

**Formula Options List:** After a lengthy discussion of agency concerns and consideration, subcommittee members agreed that the following possible changes to the formula would be the focus of discussion at the July meeting:

1. Effect of changing to a \$2-, \$5-, and \$10 million cap for the big three agencies.
2. Effect of adding additional years to loss experience. Currently the formula reflects five years of incurred loss. It was suggested that a year be added for each of the next five years, which would ultimately modify the number of years to ten.
3. Effect of creating a pool for the three big agencies.
4. Examine loss ratio by agency for five years; look at payout to premium by agency.

It was agreed that the above options will be the focus of discussion at the July meeting. Martin Lewis will attend the meeting to discuss the effects of these possible changes to the allocation formula.

#### **NEXT MEETING**

The next meeting is scheduled on Wednesday, July 16, 2003, 1:30-3:30 p.m.

#### **ADJOURNMENT**

The meeting adjourned at 3:20 p.m.

## SELF-INSURED LIABILITY FUND ALLOCATION CRITERIA

	<b>Priority</b> <i>(Rank numerically in order of importance)</i>	<b>Weight</b> <i>(Rank by percentage)</i>
Equity	_____	_____ %
Accountability	_____	_____ %
Predictability	_____	_____ %
Stability	_____	_____ %
Incentive to improve	_____	_____ %
Today's \$\$ for Today's \$\$	_____	_____ %
		100%

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